

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRACEWAY PHARMACEUTICALS, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 11-13036 (____)

Joint Administration Pending

**APPLICATION OF THE DEBTORS TO RETAIN AND EMPLOY BMC GROUP, INC.
AS NOTICE, CLAIMS AND BALLOTING AGENT FOR THE DEBTORS AND
AUTHORIZING THE APPOINTMENT OF BMC GROUP, INC. AS NOTICE, CLAIMS
AND BALLOTING AGENT TO THE OFFICE OF THE CLERK OF THE COURT**

("BMC Retention Application")

The above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**"), hereby apply to this Court (the "**Application**") for entry of an order (the "**Order**"), in substantially the form attached hereto as Exhibit A, authorizing the Debtors to retain and employ BMC Group, Inc. ("**BMC**") as notice, claims and balloting agent and authorizing the appointment of BMC as notice, claims and balloting agent to the office of the clerk of this Court (the "**Clerk's Office**"), effective as of the Petition Date (as defined below). The Debtors seek to retain and employ BMC pursuant to the terms of the Agreement for Services, dated August 22,

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

2011, by and among BMC and the Debtors, a copy of which is attached hereto as Exhibit B (the “Retention Agreement”). In support of this Application, the Debtors respectfully state:²

Jurisdiction

1. This Court has jurisdiction over this Application under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Application in this District is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are 28 U.S.C. § 156(c), Section 503(b) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), Rules 2002(f) and 6003 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2002-1(f) and 9013-1(m) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

Background

3. On the date hereof (the “Petition Date”), each of the Debtors filed a petition with the Court under chapter 11 of the Bankruptcy Code (collectively, the “Chapter 11 Cases”). The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these Chapter 11 Cases, and no official statutory committees have been appointed or designated. Concurrently with the filing of this Application,

² The facts and circumstances supporting this Application are set forth in the Declaration of Gregory C. Jones in Support of Chapter 11 Petitions and First Day Motions (the “First Day Declaration”), filed on the Petition Date (defined below).

the Debtors have requested procedural consolidation and joint administration of these Chapter 11 Cases.

4. A description of the Debtors' businesses, the reasons for commencing these Chapter 11 Cases, and the relief sought from the Court to allow for a smooth transition into chapter 11 (including the facts and circumstances supporting this Application) are set forth in the First Day Declaration filed contemporaneously with this Application.

Relief Requested

5. By this Application, the Debtors seek approval of the (i) appointment of BMC as notice, claims and balloting agent to the Clerk's Office in these Chapter 11 Cases and (ii) retention of BMC by the Debtors to serve as notice, claims and balloting agent pursuant to the terms and conditions of the Retention Agreement. As the notice, claims and balloting agent, BMC will, among other things, (i) distribute required notices to parties-in-interest, (ii) receive, examine, maintain and docket all proofs of claim and proofs of interest filed in these Chapter 11 Cases and maintain the associated claims registers, (iii) if necessary, solicit, collect, and tabulate acceptances and rejections of the Debtors' plan of reorganization from parties entitled to vote thereon and (iv) provide such other administrative services that this Court, the Clerk's Office, and the Debtors may require in connection with these Chapter 11 Cases. In support of this Application, the Debtors submit the declaration of Tinamarie Feil attached hereto as Exhibit C (the "**Feil Declaration**").

Services To Be Provided

6. The Debtors desire and seek authority to employ and retain BMC as notice, claims and balloting agent in these Chapter 11 Cases, and also the appointment of BMC as notice, claims and balloting agent to the Clerk's Office in these Chapter 11 Cases, effective as of the Petition Date. The Debtors have selected BMC because of BMC's well-developed, efficient

and cost-effective methods in its area of expertise. In addition, BMC is fully equipped to handle the volume of mailing involved in properly sending the required notices to creditors and other interested parties in these Chapter 11 Cases. The Debtors have approximately 4,300 creditors, potential creditors and parties-in-interest to which certain notices, including notice of these Chapter 11 Cases, will be sent. The size of the Debtors' creditor body makes it impracticable for the Clerk's Office or the Debtors to, without assistance, undertake the task of sending notices to creditors and other parties-in-interest. In view of the number of anticipated claimants and the complexity of the Debtors' business, the Debtors respectfully submit that the appointment of a notice, claims and balloting agent to act as an agent of the Clerk is (i) the most effective and efficient manner by which to give notice and provide solicitation services in these Chapter 11 Cases and (ii) necessary and in the best interest of both the Debtors' estates and their creditors. BMC will follow the notice and solicitation procedures that conform to the guidelines promulgated by the Clerk of this Court and the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c), and as may be ordered by this Court.

7. BMC is a claims administration firm that specializes in chapter 11 administration, consulting and analysis, including noticing, claims processing, voting and other administrative tasks in chapter 11. The Debtors believe that such assistance will expedite service of notices, streamline the claims administration process and permit the Debtors to focus on their reorganization efforts.

8. Based on BMC's considerable experience and expertise, the Debtors believe that BMC is well qualified to provide such services, expertise, consultation and assistance. As set forth in the Feil Declaration, BMC has assisted and advised numerous chapter 11 debtors in connection with noticing, claims administration and reconciliation and administration of plan

votes. BMC has provided identical or substantially similar services in other chapter 11 cases filed in the District of Delaware, including: In re Regen Biologics, Inc., Case No. 11-11083 (PJW); In re Urban Brands, Inc., Case No. 10-13005 (KJC); and In re Ultimate Escapes Holdings, Inc., 10-12915 (BLS).

9. As explained above, by appointing BMC as the notice, claims and balloting agent in these Chapter 11 Cases, the Clerk's Office will be relieved of the administrative burden of processing what may be an overwhelming number of claims.

10. BMC has assured the Debtors that it will take care not to duplicate the efforts of any other professional of the Debtors retained in these cases. BMC is the sole notice, claims and balloting agent in these Chapter 11 Cases. As a result, duplication of effort by BMC is unlikely. Nevertheless, BMC will endeavor to coordinate with other professionals retained by the Debtors that are involved significantly in these Chapter 11 Cases to avoid duplication and inefficiency.

11. BMC has assured the Debtors that it will take care not to duplicate the efforts of the Clerk of the Court and will coordinate the provision of services with the Clerk throughout the pendency of these Chapter 11 Cases.

Terms of Retention

12. Pursuant to the Retention Agreement, at the request of this Court, the Clerk's Office or the Debtors, BMC will (i) assist the Debtors and the Clerk's Office with noticing and claims docketing and (ii) assist the Debtors with the compilation, administration, evaluation and production of documents and information necessary to support the administration of these Chapter 11 Cases. Specifically, BMC may, if and as necessary and in accordance with any Court orders or rules, provide the following services in these Chapter 11 Cases:

- (a) prepare and serve all notices in these Chapter 11 Cases as determined by the Debtors or their counsel;

- (b) receive, record and maintain copies of all proofs of claim and proofs of interest filed in these Chapter 11 Cases;
- (c) create and maintain the official claims register(s) containing, among other things, PDF images of every proof of claim which will be in a format accessible through a website maintained by BMC;
- (d) receive and record all transfers of claims pursuant to Bankruptcy Rule 3001(e);
- (e) maintain an up-to-date mailing list for all entities who have filed proofs of claim and/or requests for notices in these Chapter 11 Cases;
- (f) assist with the administrative management, reconciliation and resolution of claims;
- (g) print, mail and tabulate ballots for purposes of plan voting;
- (h) assist with the maintenance of data regarding the Debtors' schedules of assets and liabilities, statements of financial affairs and other master lists and databases of creditors, assets and liabilities;
- (i) assist with the production of reports, exhibits and schedules of information for use by the Debtors, Debtors' counsel, or to be delivered the Court, the Clerk's Office, the U.S. Trustee or third parties;
- (j) provide other technical and document management services of a similar nature requested by the Debtors or the Clerk's office;
- (k) set up and maintain a case website, including daily uploads of docket entries and other case related materials;
- (l) provide computer software support and training to the Debtors in the use of the support software; and
- (m) provide reports as well as consulting and programming support for the Debtors' requested reports, program modifications, data modification, and/or other features.

13. The Debtors propose to compensate BMC on substantially the terms and conditions set forth in the Retention Agreement, upon receipt of reasonably detailed invoices setting forth the services provided by BMC during the prior month and the rates charged for such services performed. BMC shall maintain records of all services it performs on behalf of the Debtors and such records will reflect, at a minimum, dates, categories of services and

descriptions of time spent, fees, charges and expenses incurred. Subject to certain limited exceptions described in section IV.F of the Retention Agreement, the entire amount payable by the Debtors in connection with BMC's fees and expenses under the Retention Agreement is subject to a maximum amount as set forth in the Retention Agreement.³

14. The Debtors further propose that the cost of BMC's services be paid from the Debtors' estates as provided by 28 U.S.C. § 156(c) and Section 503(b)(1)(A) of the Bankruptcy Code. The Debtors believe that the proposed rates to be charged by BMC are reasonable and appropriate for services of this nature. The Debtors reviewed the rates of other firms prior to selecting BMC and believe BMC's rates are reasonable given the quality of BMC's services and BMC's prior bankruptcy expertise. Prior to the Petition Date, the Debtors paid BMC a total of \$25,000 as a retainer (the "**Retainer**").

15. As part of the overall compensation payable to BMC under the terms of the Retention Agreement, the Debtors have agreed to certain limitations of liability and indemnification obligations, as described in section XI of the Retention Agreement. Both the Debtors and BMC believe that such provisions are customary and reasonable for notice, claims and balloting agents in chapter 11 cases.

16. The Debtors request that the undisputed fees and expenses BMC incurs in the performance of the above services, subject to the maximum amount set forth in the Retention Agreement, be treated as an administrative expense of the Debtors' estates and be paid by the Debtors in the ordinary course of business without further application or request for relief to this Court; provided, however, that BMC will submit copies of all invoices to the Debtors, the U.S.

³ The maximum amount has been redacted in the Retention Agreement attached hereto as Exhibit B. Upon request, the Debtors will provide an unredacted copy of the Retention Agreement to the Court, the U.S. Trustee, special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility, and counsel to any committee of unsecured creditors appointed in these Chapter 11 Cases.

Trustee, counsel to any official statutory committees appointed or designated in these Chapter 11 Cases, and special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility (collectively, the "**Fee Parties**"). The Fee Parties will have twenty-one (21) days after delivery of an invoice to file with the Court and serve on BMC and the other Fee Parties an objection to such invoice, which must describe with particularity the specific basis for the objection. The Debtors request authority to pay the undisputed fees and expenses reflected on an invoice no later than thirty (30) days after submission thereof, or, in the case of any fees or expenses timely objected to by one of the Fee Parties, no later than thirty (30) days after such objection has been resolved by this Court.

17. The Retainer paid to BMC was or will be applied to BMC's invoice for services rendered and expenses incurred prior to the Petition Date and performed under the Retention Agreement. To the extent that any portion of the Retainer remains after the Petition Date, such amount will be applied against BMC's first bill for postpetition fees and expenses.

18. BMC shall perform the duties within the scope of its appointment under 28 U.S.C. § 156(c) regardless of whether BMC has received payment in accordance with the Retention Agreement. To the extent BMC requires redress for non-payment of its fees and expenses, it will seek relief from this Court.

BMC's Disinterestedness

19. To the best of the Debtors' knowledge, and as disclosed in the Feil Declaration, BMC (a) is a "disinterested person" within the meaning of Section 101(14) of the Bankruptcy Code, except that BMC was employed by the Debtors prior to the Petition Date as allowed by Section 1107(b) of the Bankruptcy Code, and (b) does not hold or represent an interest adverse to the Debtors' estates.

20. To the best of the Debtors' knowledge, BMC is a "disinterested person" as that term is defined in Section 101(14) of the Bankruptcy Code, as modified by Section 1107(b) of the Bankruptcy Code, in that its employees:

- (a) are not creditors, equity holders or insiders of the Debtors;
- (b) are not and were not, within two (2) years before the date of the filing of the petition, a director, officer, or employee of the Debtors; and
- (c) do not have an interest materially adverse to the interests of the Debtors' estates or any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in the Debtors.

21. Before the Petition Date, an affiliate of BMC, BMC Group VDR LLC ("VDR"), provided for the Debtors a secure virtual dataroom and related services in connection with the Debtors' sale process. The Debtors do not owe VDR (or BMC) any amount for services performed or expenses incurred prior to the Petition Date. In the ninety days immediately preceding the Petition Date, the Debtors paid to VDR \$343,699.60 on account of invoices issued for such services. The Debtors did not provide any retainer to VDR (or BMC) in connection with these services.

22. Additionally, the Retainer paid to BMC was applied to BMC's invoice for services rendered and expenses incurred prior to the Petition Date and performed under the Retention Agreement. To the extent that any portion of the Retainer remains after the Petition Date, such amount will be applied against BMC's first bill for postpetition fees and expenses.

23. In connection with its appointment as notice, claims and balloting agent in these Chapter 11 Cases, BMC represents, among other things, that it will not employ any past or present employees of the Debtors in connection with its work as the notice, claims and balloting agent in these Chapter 11 Cases. The Debtors are advised that BMC has agreed not to share with

any person or firm the compensation it receives for professional services rendered in these Chapter 11 Cases.

24. BMC will conduct an ongoing review of its files to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new facts or relationships are discovered, BMC will supplement its disclosure to this Court.

25. Because the notice and claims services described above are necessary to the administration of these Chapter 11 Cases, the appointment of BMC as notice, claims and balloting agent to the Clerk's Office in these Chapter 11 Cases and the retention of BMC by the Debtors in connection therewith would be appropriate and in the best interests of the Debtors' estates.

Notice

26. The Debtors have provided notice of this Application to: (a) the United States Trustee for the District of Delaware; (b) financing counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (c) special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility; (d) counsel to the administrative agent for the lenders under the Debtors' prepetition second lien credit facility; (e) the administrative agent for the lenders under the Debtors' prepetition unsecured mezzanine credit facility; (f) the creditors listed on the Debtors' consolidated list of 30 largest unsecured creditors, as filed with the Debtors' chapter 11 petitions; (g) the Food and Drug Administration; (h) the Internal Revenue Service; and (i) all parties requesting notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors submit that no further notice is required or needed under the circumstances.

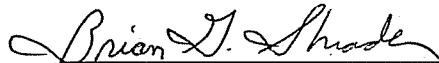
27. A copy of the Application is available on the Court's website: www.deb.uscourts.gov. Additional copies of the Application are available for free on the website of the Debtors' proposed claims, noticing, soliciting and balloting agent, BMC Group, Inc., at www.bmcgroup.com/graceway, or can be requested by calling (888) 909-0100 from within the United States or +1 (310) 321-5555 if calling from outside the United States.

WHEREFORE, the Debtors respectfully request that this Court (i) enter the Order, substantially in the form attached hereto as Exhibit A, authorizing the appointment of BMC as notice, claims and balloting agent to the Clerk's Office, and the retention of BMC by the Debtors in accordance with the Retention Agreement with respect to BMC's appointment as notice, claims and balloting agent, effective as of the Petition Date and (ii) grant such other and further relief as this Court deems appropriate.

Dated: September 29, 2011
Wilmington, Delaware

Respectfully Submitted,

GRACEWAY PHARMACEUTICALS, LLC



Brian G. Shrader
Chief Financial Officer

On behalf of the other Debtors listed on Schedule I hereto:
Authorized Signatory

Schedule I

Graceway Pharma Holding Corp.

Graceway Holdings, LLC

Graceway Canada Holdings, Inc.

Graceway International, Inc.

Chester Valley Pharmaceuticals, LLC

Chester Valley Holdings, LLC

Exhibit A
Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRACEWAY PHARMACEUTICALS, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 11-13036 (____)

Joint Administration Pending

**ORDER AUTHORIZING THE DEBTORS TO RETAIN AND EMPLOY BMC GROUP,
INC. AS NOTICE, CLAIMS AND BALLOTING AGENT FOR THE DEBTORS AND
AUTHORIZING THE APPOINTMENT OF BMC GROUP, INC. AS NOTICE, CLAIMS
AND BALLOTING AGENT TO THE OFFICE OF THE CLERK OF THE COURT**

("BMC Retention Order")

Upon consideration of the application (the "Application")² of the Debtors for entry of an order authorizing the Debtors to retain and employ BMC Group, Inc. ("**BMC**") as notice, claims and balloting agent and authorizing the appointment of BMC as notice, claims and balloting agent to the Clerk's Office, effective as of the Petition Date; and upon consideration of the declaration of Tinamarie Feil (the "Feil Declaration"); and it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors, and other parties-in-interest; and this Court being satisfied based on the representations made in the Application and the Feil Declaration that BMC is disinterested as that term is defined under Section 101(14) of the Bankruptcy Code, as modified by Section 1107(b) of the Bankruptcy Code; and it appearing that

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² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Application.

this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the Application is a core proceeding pursuant to 28 U.S.C. § 157; and adequate notice of the Application and opportunity for objection having been given, with no objections or requests for hearing having been filed, or all objections having been overruled, as the case may be; and it appearing that no other notice need be given; and after due deliberation and sufficient cause therefore, it is hereby ORDERED, ADJUDGED, AND DECREED that:

1. The Application is GRANTED as set forth herein.
2. BMC is appointed as notice, claims and balloting agent to the Clerk's Office on a final basis, effective as of the Petition Date.
3. The Debtors are authorized, pursuant to 28 U.S.C. § 156(c), to retain, employ, compensate, and reimburse BMC, as notice, claims and balloting agent to the Clerk's Office in accordance with that certain Agreement for Services (the "**Retention Agreement**"), dated August 22, 2011, a copy of which is attached to the Application as Exhibit B.
4. The Debtors are authorized to pay BMC's fees and expenses, as provided by 28 U.S.C. § 156(c) and Section 503(b)(1)(A) of the Bankruptcy Code, as set forth in the Retention Agreement, and subject to the limitations on fees set forth in the Retention Agreement, in the ordinary course of business without the necessity of BMC filing fee applications or other requests for relief with this Court; provided, however, that BMC shall submit copies of all invoices to the Debtors, the U.S. Trustee, counsel to any official statutory committees appointed or designated in these Chapter 11 Cases, and special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility (collectively, the "**Fee Parties**"). The Fee Parties shall have twenty-one (21) days after delivery of an invoice to file with the Court and serve on BMC and the other Fee Parties an objection to

such invoice, which must describe with particularity the specific basis for the objection. The Debtors shall pay the undisputed fees and expenses reflected on an invoice no later than thirty (30) days after submission thereof, or, in the case of any fees or expenses timely objected to by one of the Fee Parties, no later than thirty (30) days after such objection has been resolved by this Court.

5. Notwithstanding interest charged in connection with past due payments or material changes in the assumptions contained in the Retention Agreement, the entire amount payable by the Debtors in connection with BMC's fees and expenses under the Retention Agreement is subject to a maximum amount as set forth in the Retention Agreement.³

6. The Retainer paid to BMC shall be applied to BMC's invoice for services rendered and expenses incurred prior to the Petition Date and performed under the Retention Agreement. To the extent that any portion of the Retainer remains after the Petition Date, such amount shall be applied against BMC's first bill for postpetition fees and expenses.

7. Notwithstanding anything to the contrary in the Retention Agreement, and regardless of whether BMC's fees and expenses under the Retention Agreement have reached the maximum amount set forth in the Retention Agreement, BMC shall not suspend or terminate performance of the services described in the Retention Application prior to requesting and receiving an order from this Court permitting such suspension and/or termination.

8. Any dispute with respect to the fees and expenses by BMC shall be brought before this Court for a final determination.

³ The maximum amount has been redacted in the Retention Agreement attached to the Application as Exhibit B. Upon request, the Debtors shall provide an unredacted copy of the Retention Agreement to the Court, the U.S. Trustee, special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility, and counsel to any committee of unsecured creditors appointed in these Chapter 11 Cases.

9. Upon the closing of the Chapter 11 Cases, BMC shall return all proofs of claim received by it and the official claims registry to the Clerk's Office.

10. Notwithstanding anything to the contrary in the Retention Agreement, neither BMC nor the Debtors will be entitled to any limitation of liability with respect to any claims related to or arising out of the Retention Agreement. Any such limitation of liability provisions contained in the Retention Agreement are null and void.

11. The Debtors are authorized to indemnify and hold harmless BMC, its officers, employees and agents (collectively, the "**Indemnified Persons**"), pursuant to the terms and conditions set forth in the Retention Agreement, subject to the following conditions:

- (a) BMC shall not be entitled to indemnification, contribution, or reimbursement for services other than the services provided under the Retention Agreement, unless such services and the indemnification, contribution, or reimbursement thereof are approved by the Court;
- (b) Notwithstanding anything to the contrary in the Retention Agreement, the Debtors shall have no obligation to indemnify any person, or provide contribution or reimbursement to any person, for any claim or expense to the extent that it is either (i) judicially determined (the determination having become final and no longer subject to appeal) to have arisen from that person's gross negligence, willful misconduct, breach of fiduciary duty, if any, bad faith or self-dealing; (ii) for a contractual dispute in which the Debtors allege the breach of BMC's contractual obligations unless the Court determines that indemnification, contribution, or reimbursement would be permissible pursuant to In re United Artist Theatre Co., 315 F.3d 217 (3d Cir. 2003); or (iii) settled prior to judicial determination as to the exclusions set forth in clauses (i) and (ii), but determined by this Court, after notice and a hearing, to be a claim or expense for which that person should not receive indemnity, contribution, or reimbursement under the terms of the Retention Agreement as modified by this Order; and
- (c) If, before the earlier of (i) the entry of an order confirming a chapter 11 plan in these Cases (that order having become a final order no longer subject to appeal) and (ii) the entry of an order closing these Chapter 11 Cases, BMC believes that it is entitled to payment of any amounts by the debtors on account of the Debtors' indemnification, contribution, or reimbursement obligations under the Retention Agreement, including

without limitation the advancement of defense costs, BMC must file an application before this Court, and the Debtors may not pay any such amounts to BMC before the entry of an order by this Court approving the payment. This paragraph (c) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for payment by BMC for indemnification, contribution, or reimbursement, and not a provision limiting the duration of the Debtors' obligation to indemnify BMC. All parties in interest shall retain the right to object to any demand by BMC for indemnification, contribution or reimbursement.

12. Notwithstanding anything to the contrary contained herein, any payment to be made, or authorization contained, hereunder shall be subject to the requirements imposed on the Debtors under any approved debtor-in-possession financing facility, or any order regarding the use of cash collateral.

13. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application.

14. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: _____, 2011
Wilmington, Delaware

United States Bankruptcy Judge

Exhibit B
Retention Agreement

AGREEMENT FOR SERVICES

This Agreement dated as of August 22, 2011, is entered between Graceway Pharmaceuticals, LLC and related entities (collectively, "Customer") and BMC Group, Inc. ("BMC"). The services rendered by BMC pursuant to this Agreement will commence on the date first set forth above and will continue until the Agreement is terminated as set forth below.

TERMS AND CONDITIONS

I. ASSUMPTIONS

The terms contemplated by this Agreement are based upon the following assumptions: 7 filing debtors; 5000 scheduled creditors or other parties in interest; up to 500 filed proofs of claim. Overnight courier charges to support "first day" noticing; otherwise noticing is to be effected via regular or electronic mail.

II. SERVICES

In accordance with the terms and conditions contained in this Agreement and in the Fee Schedule annexed hereto, BMC agrees to provide requested services as follows: (a) assisting the Customer, Counsel and Office of the Clerk with noticing and claims docketing and (b) assisting Customer with the compilation, administration, evaluation and production of documents and information necessary to support a restructuring effort. At Customer's, Counsel's or the Clerk's Office's direction, as the case may be, and in accordance with any court orders or rules in the bankruptcy case(s) (including any court order authorizing BMC's engagement), BMC will (1) prepare and serve all notices required in the bankruptcy cases as determined by Customer and/or Counsel; (2) receive, record and maintain copies of all proofs of claim and proofs of interest filed in the bankruptcy cases; (3) create and maintain the official claims register(s) containing, among other things, PDF images of every proof of claim which will be in a format accessible through a website maintained by BMC; (4) receive and record all transfers of claims pursuant to Bankruptcy Rule 3001(e); (5) maintain an up-to-date mailing list for all entities who have filed proofs of claim and/or requests for notices in the bankruptcy cases; (6) assist Customer and Counsel with the administrative management, reconciliation and resolution of claims; (7) print, mail and tabulate ballots for purposes of plan voting; (8) assist with the maintenance of data re Customer's Schedules of Assets and Liabilities, Statements of Financial Affairs and other master lists and databases of creditors, assets and liabilities, (9) assist with the production of reports, exhibits and schedules of information or use by the Customer, Counsel or to be delivered the Court, the Clerk's Office, the U.S. Trustee or third parties; (10) provide other technical and document management services of a similar nature requested by Customer or the Clerk's office; and (11) set up and maintain a case website, including daily uploads of docket entries and other case related materials.

III. TECHNOLOGY SUPPORT

BMC agrees to provide computer software support and to educate and train Customer in the use of the support software, provide BMC's standard reports as well as consulting and programming support for Customer requested reports, program modifications, database modification, and/or other features.

IV. PRICES, CHARGES AND PAYMENT

- A. BMC agrees to charge, and Customer agrees to pay, BMC's standard prices for its services, expenses and supplies at the rates or prices in effect on the day such services and/or supplies are provided to the Customer, in accordance with the Fee Schedule annexed hereto.

- B. At the commencement of the Agreement, Customer may provide BMC with an initial advance payment retainer of \$25,000.00 ("Retainer"). The Retainer will be applied to BMC's final bill for services and expenses rendered or incurred on behalf of Customer. After application to the final bill, the unapplied portion of the Retainer (if any) shall be promptly refunded to the Customer. Wire transfer information for the transmission of the retainer is as follows:

Bank Name -	Wells Fargo Bank
Address -	933 3 rd Avenue, Seattle, WA 98104
ABA/Routing # -	121000248
Account Name -	BMC Group, Inc.
Account # -	0033022633

- C. Although BMC raises its rates from time to time and generally does so each January, no rate increases shall be applied during the term of this Agreement.
- D. Customer agrees to pay BMC for any necessarily incurred out-of-pocket reasonable expenses for postage, shipping, courier, transportation, lodging, meals and items related to provision of services contemplated by this Agreement.
- E. BMC agrees to invoice Customer for fees and expenses and Customer agrees that the amount invoiced is due and payable upon its receipt of the invoice. Such invoices will include the date and description of time spent or expense incurred. If any amount is unpaid as of thirty (30) days from the receipt of the invoice, Customer further agrees to pay a late charge, calculated as one and one-half percent (1-1/2%) interest on the amount unpaid, accruing from the invoice date. In the case of a dispute in the invoice amount, notice shall be given to BMC within thirty (30) days of receipt of the invoice by Customer. Interest shall not accrue on any amounts in dispute. The balance of the invoice amount is due and payable in the normal course.
- F. Notwithstanding interest charges contemplated in paragraph III.E. or material changes to the assumptions contained in paragraph I above, BMC agrees that the entire amount payable by Customer in connection with BMC's fees and expenses under this Agreement is subject to a maximum of _____ BMC and Customer agree to immediately and reasonably address fee issues should they arise.
- G. BMC will look only to the Customer for payment of invoices and in no event shall Counsel be liable for any of BMC's invoices in connections with this Services Agreement.

V. WARRANTY

The BMC warranty under the Agreement shall be limited to the re-running, at its expense, of any inaccurate reports, provided that such inaccuracies were caused solely as a result of BMC performance hereunder and provided further that BMC shall receive written notice of such inaccuracies. Customer agrees that the foregoing constitutes the exclusive remedy available with respect to inaccurate reports.

VI. RIGHTS OF OWNERSHIP

- A. The parties understand that the software programs and other similar proprietary materials furnished by BMC pursuant to this Agreement and/or developed during the course of this Agreement by BMC are the sole property of BMC. The term "program" shall include, without limitation, data processing programs, specifications, applications, routines, sub-routines, procedural manuals, and documentation. Customer agrees not to copy or permit others to copy for unauthorized use the source code from the support software or any other programs or similar proprietary materials furnished pursuant to this Agreement.

- B. Customer further agrees that any ideas, concepts, know-how or techniques relating to data processing or BMC's performance of its services developed during the course of its Agreement by BMC shall be exclusive property of BMC.
- C. Upon Customer's request at any time or times while this Agreement is in effect, BMC shall immediately deliver to Customer at Customer's sole expense, any or all of the non-proprietary data, information and records held or controlled by BMC pursuant to this Agreement, in the form requested by Customer. Any information, data and records, in whatever form existing, whether provided to BMC by Customer or developed by BMC for Customer under this Agreement, may be retained by BMC until all amounts due under this Agreement are paid in full, it being understood that neither party asserts rights of ownership in the official claims register or materials filed with BMC as an agent of the court.
- D. Customer shall remain liable for all charges imposed under this Agreement as a result of data or physical media maintained by BMC. BMC shall dispose of the data and media in the manner requested by Customer. Customer agrees to pay BMC for reasonable expenses incurred as a result of the disposition of the data or media. After giving Customer thirty (30) days advance notice, BMC reserves the right to dispose of data or media maintained by BMC for Customer if Customer has not utilized the services provided herein for a period of at least ninety (90) days or if Customer has not paid all charges due to BMC.

VII. NON-SOLICITATION

Customer agrees that it shall not, directly or indirectly, solicit for employment, employ or otherwise retain staff of BMC during the term of this Agreement, nor for a period of twelve (12) months after termination of this Agreement unless mutually agreed upon by both parties.

VIII. CONFIDENTIALITY

- A. BMC agrees to, and shall cause its servants, agents, employees, licensees, and subcontractors to, safeguard and keep confidential all data, records, information and communications of any sort or form, regardless of whether written, oral, visual or otherwise recorded or transmitted, with respect to Customer, but excluding such data, records, information and communications that exist in the public domain by reason other than a breach of BMC's obligations under this Section VII "Confidentiality" (the "Confidential Information"). BMC will use the Confidential Information only for the benefit of Customer in connection with the provision of services under this Agreement. Customer agrees to, and will cause its servants, agents, employees, licensees, and subcontractors to, keep all information with respect to BMC's system, procedures and software confidential; provided, however, that if either party is required to produce any such information by order of any governmental agency or other regulatory body, it may, upon not less than five business days' written notice to the other party, release the required information. The obligations set forth in this paragraph shall survive termination of this Agreement.

IX. TERMINATION

- A. This Agreement shall remain in force until terminated by Customer, or, by BMC upon thirty (30) days' prior written notice to the other party.
- B. In the event that this contract is terminated, regardless of the reason for such termination, BMC shall cooperate with Customer to orderly transfer to Customer or its designee (or

destroy, at Customer's direction) data, records and information in its possession or control and to effect an orderly transition of record-keeping functions. BMC shall provide all necessary staff, services and assistance required for an orderly transfer and transition. Customer agrees to pay for such services in accordance with BMC's then existing prices for such services.

X. SYSTEM IMPROVEMENTS

BMC's policy is to provide continuous improvements in the quality of service to the Customer. BMC, therefore, reserves the right to make changes in operations procedures, operating systems, programming languages, general purpose library programs, application programs, time period of accessibility, types of terminal and other equipment and the BMC data center serving the Customer.

XI. LIMITATIONS OF LIABILITY AND INDEMNIFICATION

Except with respect to breaches under Section VII "Confidentiality" above, Customer shall indemnify and hold BMC, its officers, employees and agents harmless against any losses, claims, damages, judgments, liabilities and expense (including reasonable counsel fees and expenses) resulting from action taken or permitted by BMC in good faith with due care and without negligence in reliance upon instructions or orders received from Customer as to anything arising in connection with its performance under this Agreement. Except with respect to breaches under Section VII "Confidentiality" above, BMC shall be without liability to Customer with respect to any performance or non-performance, in accordance with the terms of this Agreement or instructions properly received pursuant hereto, if done in good faith and without negligence or willful or wanton misconduct. Except with respect to breaches under Section VII "Confidentiality" above, in no event shall liability to Customer for any losses or damages, whether direct or indirect, arising out of this Agreement exceed the total amount billed or billable to Customer for the portion of the particular work which gave rise to the loss or damage. Except with respect to breaches under Section VII "Confidentiality", in no event shall BMC be liable for any indirect, special or consequential damages such as loss of anticipated profits or other economic loss in connection with or arising out of the services provided for in this Agreement.

XII. NOTICES

All notices in connection with this Agreement shall be given or made upon the respective parties in writing by facsimile or overnight courier and shall be deemed as given, if by facsimile, on the business day immediately following confirmed transmission, or if by courier, on the day it is delivered by such courier to the appropriate address set forth below:

BMC Group, Inc. Attn: Tinamarie Feil 600 1st Avenue Suite 300 Seattle, WA 98104 Telephone 206.499.2169 Fax 206.374.2727 tfeil@bmcgroup.com	Graceway Pharmaceuticals, LLC Attention: John Bellamy 340 MLK Jr Blvd, Suite 500 Bristol, TN 37620 Telephone 423.274.2120 Fax 423.274.2199 john.bellamy@gracewaypharma.com
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Or to such other address as the party to receive the notice or request so designates by written notice to the other.

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XIII. APPLICABLE LAW

This agreement shall be construed in accordance with the laws of the State of Delaware and may be modified only by a written instrument duly executed by an authorized representative of Customer and an officer of BMC.

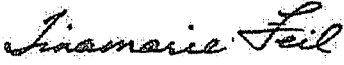
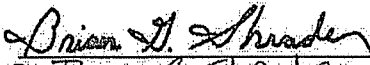
XIV. ENTIRE AGREEMENT/ MODIFICATIONS

Each party acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and further agrees that it is the complete and exclusive statement of the agreement between the parties, which supersedes and merges all prior proposals, understandings and other agreements, oral and written between the parties relating to the subject matter of this Agreement. The Agreement may not be modified or altered by written instrument duly executed by both parties. Customer represents that it has the authority to enter into this Agreement, may be subject to bankruptcy court approval, and the Agreement is non-dischargeable under any applicable statute or law. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby. In the event of any conflict between a term of this Agreement and any order of the court exercising jurisdiction over the Customer bankruptcy cases, the term of the order shall govern.

XIV. ASSIGNMENT

This Agreement and the rights and duties hereunder shall not be assignable by the parties hereto except upon written consent of the other, with the exception that this Agreement can be assigned by BMC to a wholly owned subsidiary of BMC.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

BMC Group, Inc.  By: Tinamarie Feil President, Client Services Date: August 22, 2011	Graceway Pharmaceuticals, LLC  By: Brian G. Shrader Chief Financial Officer Title: Date: August 22, 2011
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Standard Pricing: Restructuring Services

Claims & Noticing Management

Data Entry	\$25 per hour
Clerk/Admin Support	\$45 per hour
Analysts	\$80 - \$110 per hour
Case Manager	\$125 per hour

Case Management Consulting

Consultants	\$110 - \$150 per hour
Managers	\$175 - \$225 per hour
Principal/Director	\$250 per hour

Average Overall Hourly Rate <\$125 per hour

Claims Agent and b-Linx™ Claims Management Platform

Claim Receipt, Process & Docketing	\$2.50 per claim (all in, no per hour charges)
Claim Imaging and b-Linx Association	\$0.12 per image (OCR available @ \$.02 per image)
b-Linx Access and Maintenance	\$0.07 per record/mo (\$250 min/cap at \$850, no per user fee)
Claim Analysis, Reconciliation, Objections	upon request at applicable Case Management Consulting rates

Print Mail and Noticing Services

Copy/Print	\$0.10 per image (volume discounts apply)
Envelope + Address Printing/Labeling	\$0.08 standard/catalogue or custom varies)
Finishing (Fold or Collate, Insertion, Seal, Mail)	\$0.05 per document
Postage/Shipping/Courier	at cost (includes optimization recommendations)
Certified Electronic Noticing Service	\$20 per 500 (\$0.04 per notice, no per page charge)
Certified Fax Noticing Service	\$0.15 per image
Prep, Notarize, File Standard Proof of Service	\$25.00 (no hourly charges)
Processing Undeliverables	\$0.25 each + actual cost of re-mails as applicable
Create/maintain Noticing Database & Service Lists	at applicable Claims & Noticing Management rates
Management of Noticing Requests	at applicable Claims & Noticing Management rates
Legal Notice Publication	quote (discounts may be available)

Document and Information Management

Document Imaging and b-Linx association	\$0.12 per image (OCR capture if desired \$0.02 per image)
Live Operator Call Center	\$45 per hour
Custom Website Hosting	Set up, plus \$250 per month
Secure Virtual Data Room	Set up, plus \$0.15/page per month
Physical Document Storage	\$1.45 per box/month
Document Analysis, Website Maintenance	at applicable Case Management Consulting rates

Subscription/Solicitation/Exchange

Materials Print and Notification	at applicable Print Mail and Noticing Services rates
Ballot Receipt, Processing, Tabulation	at applicable Case Management Consulting rates
Interface Public Securities Holders	at applicable Case Management Consulting rates

Distribution Services quote

Exhibit C

Feil Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRACEWAY PHARMACEUTICALS, LLC,
et al.,¹

Debtors.

Chapter 11

Case No. 11-13036 (____)

Joint Administration Pending

**DECLARATION OF TINAMARIE FEIL IN SUPPORT OF APPLICATION OF THE
DEBTORS TO RETAIN AND EMPLOY BMC GROUP, INC. AS NOTICE, CLAIMS
AND BALLOTING AGENT FOR THE DEBTORS AND AUTHORIZING THE
APPOINTMENT OF BMC GROUP, INC. AS NOTICE, CLAIMS AND BALLOTING
AGENT TO THE OFFICE OF THE CLERK OF THE COURT**

("Feil Declaration")

I, Tinamarie Feil, declare the following under penalty of perjury:

1. I am the President of Client Services of BMC Group, Inc. ("**BMC**"), whose main office is located at 600 First Avenue, Suite 300, Seattle, WA 98104, telephone number 206.516.3300. I am authorized to make and submit this declaration on behalf of BMC. The matters set forth herein are based on my own personal knowledge and, if called and sworn as a witness, I could and would testify competently thereto.

2. This declaration is made in support of the Application to Retain and Employ BMC Group, Inc. as Notice, Claims and Balloting Agent for the Debtors and Authorizing the Appointment of BMC Group, Inc. as Notice, Claims and Balloting Agent to the Office of the

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Graceway Pharma Holding Corp., a Delaware corporation (9175); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

Clerk of the Court (the “**Application**”)² of the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”), filed contemporaneously herewith.

3. As agent and custodian of the Court records pursuant to 28 U.S.C. § 156(c), BMC will perform, at the request of the Office of the Clerk of the Court (the “**Clerk’s Office**”), the noticing and claims related services specified in the Application. In addition, at the Debtors’ request, BMC will perform such other noticing, claims, technical and support services specified in the Application.

4. BMC is one of the country’s leading chapter 11 administrators, with experience in noticing, claims administration, solicitation, balloting and facilitating other administrative aspects of chapter 11 cases. BMC has substantial experience in matters of this size and complexity, and has acted as the official notice and claims agent in many large bankruptcy cases pending in this District including: In re Regen Biologics, Inc., Case No. 11-11083 (PWJ); In re Urban Brands, Inc., Case No. 10-13005 (KJC); and In re Ultimate Escapes Holdings, Inc., 10-12915 (BLS).

5. BMC represents, among other things, the following:

- (a) BMC is not a creditor of the Debtors;
- (b) BMC will not consider itself employed by the United States government and shall not seek any compensation from the United States government in its capacity as the notice and claims agent in the Chapter 11 Cases;
- (c) By accepting employment in the Chapter 11 Cases, BMC waives any rights to receive compensation from the United States government;
- (d) In its capacity as the notice and claims agent in the Chapter 11 Cases, BMC will not be an agent of the United States and will not act on behalf of the United States;

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Application.

- (e) BMC will not employ any past or present employees of the Debtors in connection with its work as the notice and claims agent in the Chapter 11 Cases;
- (f) In its capacity as notice and claims agent in the Chapter 11 Cases, BMC will not intentionally misrepresent any fact to any person;
- (g) BMC shall be under the supervision and control of the Clerk's Office with respect to the receipt and recordation of claims and claim transfers; and
- (h) None of the services provided by BMC as notice and claims agent shall be at the expense of the Clerk's Office.

6. The Debtors have many creditors, and accordingly, BMC may have rendered and may continue to render services to certain of these creditors. BMC has not and will not represent the separate interests of any such creditor in these Chapter 11 Cases. Additionally, BMC employees may, in the ordinary course of their personal affairs, have relationships with certain creditors of the Debtors. For example, one or more of BMC's employees may have obligations outstanding with financial institutions that are creditors of the Debtors or may have used the Debtors' services.

7. Before the Petition Date, an affiliate of BMC, BMC Group VDR LLC ("VDR"), provided for the Debtors a secure virtual dataroom and related services in connection with the Debtors' sale process. The Debtors do not owe VDR (or BMC) any amount for services performed or expenses incurred prior to the Petition Date. The Debtors did not provide any retainer to VDR (or BMC) in connection with these services.

8. In connection with the contemplated notice, claims and balloting services set forth in the Application, the Debtors provided a \$25,000 retainer to BMC (the "Retainer"). The Retainer paid to BMC was or will be applied to BMC's invoice for services rendered and expenses incurred prior to the Petition Date and performed under the Retention Agreement. To

the extent that any portion of the Retainer remains after the Petition Date, such amount will be applied against BMC's first bill for postpetition fees and expenses.

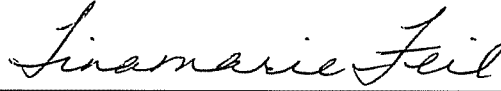
9. To the best of my knowledge and except as disclosed herein, BMC neither holds nor represents any interest adverse to the Debtors' estates in connection with any matter on which it would be employed, and BMC is a "disinterested person" within the meaning of Section 101(14) of the Bankruptcy Code, as required by Section 327(a) of the Bankruptcy Code. BMC will supplement its disclosure to the Court if any facts or circumstances are discovered that would require disclosure.

10. In performing the services of notice and claims agent, BMC will charge the Debtors the rates set forth in the Retention Agreement, which is attached to the Application as Exhibit B. The rates set forth therein are at least as favorable as the rates that BMC charges in cases in which it has been retained to perform similar services.

11. BMC will comply with all requests of the Clerk's Office and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: September 26th, 2011.

A handwritten signature in cursive script that reads "Tinamarie Feil".

Tinamarie Feil
President, Client Services
BMC Group, Inc.